Ingwe Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Municipality (MFMA)
Members of Council	
Mayor	Cllr NP Luzulane
Deputy Mayor	Cllr SV Zulu
Speaker	Cllr MW Mtolo
EXCO Member	Cllr SP Msomi
EXCO Member	Cllr HA Ngcobo
Councillors	Cllr SS Ngubo
	Cllr NA Dlamini
	Cllr FM Makhanya
	Cllr SE Dlamini
	Cllr ST Dlamini
	Cllr SW Mtolo
	Cllr BC Mncwabe
	Cllr B Thabethe
	Cllr BC Kunene
	Cllr VE Mncwabe
	Cllr MC Cekwane
	Cllr TA Zikode
	Cllr PP Shange
	Cllr SR Mlotshwa
	Cllr BC Nzimande
	Cllr B Mbatha
	Cllr SJ Bhengu
Grading of local authority	Grade 2
Chief Finance Officer (CFO)	Mr Mthembeni Mzimela
Municipal Manager	Mr NC Vezi
Registered office	Ingwe Local Municipality
Physical address	Main Street Creighton 3263
Postal address	P O Box 62 Creighton 3263
Bankers	First National Bank
Auditors	Auditor General of South Africa (AGSA)

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Abbreviations

GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipal Systems Improvements Grant

Accounting Officer 's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I certify that salaries , allowances and benefits of councilors , loans to councilors , if any , and payments made to councilors for the loss of office , if any, as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution , read in conjunction with the Remuneration of Office Bearers Act and the Minister of Local Government's determination in accordance with this Act.

The annual financial statements as set out on pages 3 to 64 have been prepared on the going concern basis,

Mr NC Vezi
Municipal Manager

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Receivables from non-exchange transactions	2	1,353,412	598,200
VAT receivable	3	2,858,799	1,755,106
Receivables from exchange and non -exchange transactions	4	240,027	447,932
Cash and cash equivalents	5	57,000,209	52,420,264
		61,452,447	**55,221,502**
Non-Current Assets			
Investment property	6	2,885,000	565,000
Property, plant and equipment	7	168,354,586	148,737,620
Intangible assets	8	86,212	178,780
		171,325,798	**149,481,400**
Total Assets		**232,778,245**	**204,702,902**
Liabilities			
Current Liabilities			
Finance lease obligation	9	52,152	52,152
Payables from exchange transactions	10	14,883,336	15,718,645
Unspent conditional grants and receipts	11	-	229,573
		14,935,488	**16,000,370**
Non-Current Liabilities			
Finance lease obligation	9	434,814	237,956
Long service awards obligation	9	257,000	223,000
Provisions	12	584,500	384,867
Retirement health care benefits	12	2,315,009	1,804,155
		3,591,323	**2,649,978**
Total Liabilities		**18,526,811**	**18,650,348**
Net Assets		**214,251,434**	**186,052,554**
Reserves			
Housing development fund		3,206,348	2,277,324
Accumulated surplus		211,045,086	183,775,233
Total Net Assets		**214,251,434**	**186,052,557**

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Service charges	13	473,273	524,198
Rental of facilities and equipment		280,203	295,553
Other income	16	3,055,120	367,315
Interest received	17	3,937,511	3,942,378
Property rates	14	4,936,754	5,193,574
Property rates - penalties imposed	14	164,630	253,195
Government grants & subsidies	15	106,291,377	88,799,015
Traffic fines		611,000	708,878
Total revenue		**119,749,868**	**100,084,106**
Expenditure			
Employee Related Costs	18	(28,674,806)	(25,083,151)
Remuneration of councillors	19	(6,621,765)	(6,388,783)
Depreciation and amortisation	20	(10,354,366)	(8,634,768)
Impairment loss traffic fines	40	(360,470)	(425,754)
Finance costs	21	(465,538)	(402,680)
Bad Debts		(2,235,851)	(1,983,333)
Repairs and maintenance		(4,329,335)	(4,176,105)
Contracted services	22	(1,233,497)	(1,312,827)
General Expenses	23	(34,635,489)	(36,004,817)
Total expenditure		**(88,911,117)**	**(84,412,218)**
Operating surplus		**30,838,751**	**15,671,888**
Loss on disposal of property plant and equipment		(262,733)	(199,255)
Surplus for the year		**30,576,018**	**15,472,633**

Statement of Changes in Net Assets

Figures in Rand	Housing development Fund	Accumulated surplus	Total net assets
Balance at 01 July 2013	**2,277,324**	**168,099,930**	**170,377,254**
Changes in net assets			
Surplus for the year	-	15,472,633	15,472,633
PPE item not previously recognised	-	202,670	202,670
Total changes	-	15,675,303	15,675,303
Balance at 01 July 2014	**2,277,324**	**183,775,234**	**186,052,558**
Changes in net assets			
Surplus for the year	-	30,576,019	30,576,019
Transfer to /(from) Housing development fund	929,024	-	929,024
Transfer to(from) reserves	-	(3,306,167)	(3,306,167)
Total changes	929,024	27,269,852	28,198,876
Balance at 30 June 2015	**3,206,348**	**211,045,086**	**214,251,434**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		114,883,332	92,340,688
Interest income		3,937,511	3,942,378
		118,820,843	96,283,066
Payments			
Employee costs and suppliers		(79,283,956)	(68,842,629)
Finance Costs		(465,538)	(402,680)
		(79,749,494)	(69,245,309)
Net cash flows from operating activities(outflows)/inflows	25	**39,071,349**	**27,037,757**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(29,772,135)	(48,604,900)
Movements in property , plant and equipment	7	(5,407,828)	6,236,645
Disposal of investment property	6	180,000	-
Purchase of other intangible assets	8	(10,252)	-
Net cash flows from investing activities		**(35,010,215)**	**(42,368,255)**
Cash flows from financing activities			
Movement in retirement health care benefits		510,854	-
Finance lease payments		7,956	(24,531)
Net cash flows from financing activities		**518,810**	**(24,531)**
Net (increase)/decrease in cash and cash equivalents		**4,579,944**	**(15,355,029)**
Cash and cash equivalents at the beginning of the year		52,420,265	67,775,294
Cash and cash equivalents at the end of the year	5	**57,000,209**	**52,420,265**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	350,000	(150,000)	**200,000**	473,273	**273,273**	50
Rental of facilities and equipment	293,000	55,000	**348,000**	280,203	**(67,797)**	50
Interest received (trading)	114,000	(14,000)	**100,000**	-	**(100,000)**	50
Other income - (rollup)	331,000	1,201,000	**1,532,000**	3,055,120	**1,523,120**	50
Interest received - investment	4,000,000	-	**4,000,000**	3,937,511	**(62,489)**	50
Total revenue from exchange transactions	**5,088,000**	**1,092,000**	**6,180,000**	**7,746,107**	**1,566,107**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	5,500,000	-	**5,500,000**	4,936,754	**(563,246)**	50
Property rates - penalties imposed	6,000	(6,000)	**-**	164,630	**164,630**	50
Transfer revenue						
Government grants & subsidies	70,746,000	-	**70,746,000**	106,291,377	**35,545,377**	50
Fines, Penalties and Forfeits	300,000	-	**300,000**	611,000	**311,000**	50
Total revenue from non-exchange transactions	**76,552,000**	**(6,000)**	**76,546,000**	**112,003,761**	**35,457,761**	
Total revenue	**81,640,000**	**1,086,000**	**82,726,000**	**119,749,868**	**37,023,868**	
Expenditure						
Personnel	31,020,000	(1,926,000)	**29,094,000**	(28,674,806)	**(57,768,806)**	50
Remuneration of councillors	6,728,000	-	**6,728,000**	(6,621,765)	**(13,349,765)**	50
Depreciation and amortisation	5,875,000	222,000	**6,097,000**	(10,354,366)	**(16,451,366)**	50
Impairment loss/ Reversal of impairments	-	-	**-**	(360,470)	**(360,470)**	50
Finance costs	361,000	105,000	**466,000**	(465,538)	**(931,538)**	50
Bad debts	442,000	-	**442,000**	(2,235,851)	**(2,677,851)**	50
Repairs and maintenance	-	-	**-**	(4,329,335)	**(4,329,335)**	50
Contracted Services	3,756,000	281,000	**4,037,000**	(1,233,497)	**(5,270,497)**	50
General Expenses	34,289,000	2,559,000	**36,848,000**	(34,635,488)	**(71,483,488)**	50
Total expenditure	**82,471,000**	**1,241,000**	**83,712,000**	**(88,911,116)**	**(172,623,116)**	
Operating surplus	**164,111,000**	**2,327,000**	**166,438,000**	**30,838,752**	**(135,599,248)**	
Loss on sale of property plant and equipment	-	-	**-**	(262,733)	**(262,733)**	50
Surplus before taxation	**164,111,000**	**2,327,000**	**166,438,000**	**30,576,019**	**(135,861,981)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**164,111,000**	**2,327,000**	**166,438,000**	**30,576,019**	**(135,861,981)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Capital expendiure						
Capital expenditure by asset category						
Executive and Council	4,233,000	(4,159,000)	**74,000**	-	**(74,000)**	
Budget and Treasury	4,643,000	(4,282,000)	**361,000**	27,786,972	**27,425,972**	
Infrastructure	50,134,000	13,049,000	**63,183,000**	26,642,120	**(36,540,880)**	
Corporate Services	5,048,000	(4,495,000)	**553,000**	-	**(553,000)**	
Community Services	4,230,000	(3,422,000)	**808,000**	-	**(808,000)**	
	68,288,000	**(3,309,000)**	**64,979,000**	**54,429,092**	**(10,549,908)**	
Funding Sources						
Government Grants	28,647,000	6,525,000	**35,172,000**	23,196,000	**(11,976,000)**	
Internal Funding	39,641,000	(9,843,000)	**29,798,000**	43,688,208	**13,890,208**	50
	68,288,000	**(3,318,000)**	**64,970,000**	**66,884,208**	**1,914,208**	

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgemental as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Useful lives of property, plant and equipment and intangible assets

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

Effective interest rate

The municipality used the government bond rate to discount future cash flows in the event of it being material.

Allowance for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exist. All material differences are explained in the relevant notes to the interim financial statement

1.4 Investment property

Investment property is property (land) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Class	Average useful life
Infrastructure	
• Streetlights	1-30 Years
• Roads	1-30 Years
• Pedestrian Footways	1-30 Years
Community Assets	
• Office Buildings	1-30 Years
• Cemeteries	1-30 Years
• Community Centers and Halls	1-30 Years
• Libraries	1-30 Years
• Sports and related Stadiums	1-30 Years
• Golf Courses	1-20 Years
• Flood Lighting	1-15 Years
• Park Homes	1-15 Years
• Car Wash	1-10 Years
• Houses/ Hostels	1-30 Years
• Public Places	1-30 Years
• Taxi Rank	1-30 Years
Other Assets	
• Landfill site	1-15 Years
• Office Equipment	1-7 Years
• Office Machines	1-7 Years
• Air Conditioners	1-10 Years
• Furniture and Fittings	1-10 Years
• Fire Extinguishers	1-5 Years
• Other Fire Fighting Equipment	1-15 Years
• Computer Equipment	1-10 Years
• Security Measures	1-20 Years
• Train	1-30 Years
• Engine	1-10 Years
• Generator	1-10 Years
• Boiler	1-10 Years
• Loud Hailer / Public Address System	1-10 Years
• Fencing	1-20 Years
Motor Vehicles	
• Truck and Light Delivery Vehicles	1-15 Years
• Mini Bus and Delivery Vehicles	1-7 Years
• Tractors	1-15 Years
• Motor Cycles	1-5 Years
Plant and Equipment	
• Graders	1-15 Years
• Lawn Mowers	1-7 Years
• Compressors	1-5 Years
• Firearms	1-15 Years
• Radio Equipment	1-10 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.7 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3-5 Years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Accounting Policies

1.8 Financial instruments (continued)

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;

1.8 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Bank , Cash and cash equivalents : Bank and Cash	Financial asset measured at amortised cost
Bank, Cash and cash equivalents: Call investments	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Trade payables from Non-exchange transactions	Financial liability measured at amortised cost
Trade payables from exchange transactions	Financial liability measured at amortised cost
Current portion of finance lease liability :	Financial liability measured at amortised cost
Finance lease liability	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production units or similar units expected to be obtained from the assets by the municipality.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

1.12 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Accounting Policies

1.12 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Defined contribution plans-KZN Joint Municipal Pension fund

The municipality has a defined contribution plan with Natal Joint Municipal Pension Fund . Payments to a defined contribution plan are charged as an expense as they fall due.

Accounting Policies

1.12 Employee benefits (continued)

Other employee benefits

The municipality provides long service awards benefits to certain qualifying employees after the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised.

The municipality has an obligation to rehabilitate its landfill site in terms of its licence stipulations .The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, service fees or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Service charges

Waste removal is based on the size of the bin and the number of times it is collected. Waste removal services are billed on a monthly basis.

Accounting Policies

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are economic benefits or service potential received or receivable by the municipality ,as determined by court or other law enforcement body , as a consequence of breach of laws or regulations. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality

The best estimate is made to assess the probability of collecting fines revenue after initial recognition of an asset..

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised but are disclosed in the notes to the annual financial statements.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Accounting Policies

1.24 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Events after reporting date

Events after reporting dates that are classified as adjusting events have been accounted for in annual financial statements. Events after reporting date that are classified as non-adjusting events after reporting date have been disclosed in the notes to the annual financial statements.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/06/30 to 2015/06/30.

1.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

Accounting Policies

1.29 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.30 Commitments

The amount of capital commitments contracted for at the reporting date and which have not been recognised as liabilities are disclosed by way of a note

1.31 Value added tax

The municipality accounts for Value Added Tax on a cash basis.

Figures in Rand	2015	2014

2. Receivables from non-exchange transactions

Traffic fines	553,511	433,355
Suppliers deposits	151,939	113,471
Other receivables	647,962	51,374
	1,353,412	**598,200**

Receivables from non-exchange transactions pledged as security

There were no receivables from non-exchange transactions that were pledged as security for overdraft facilities.

3. VAT receivable

VAT	2,858,799	1,755,106

VAT is payable on the payment basis . Once payment is received from SARS ,VAT is payable over to SARS.

4. Receivables from exchange and non-exchange transactions

Gross balances		
Rates	7,648,099	6,239,685
Refuse	1,169,066	890,262
Rental	289,144	233,684
VAT	210,250	164,880
Sundry debtors	10,304	15,952
	9,326,863	**7,544,463**
Less: Allowance for impairment		
Provision for impairment	(9,086,836)	(7,096,530)
Net balance		
Rates	7,648,099	6,239,685
Refuse	1,169,066	890,262
Rental	289,144	233,684
Vat	210,250	164,880
Sundry debtors	10,304	15,952
Provision for impairment	(9,086,836)	(7,096,530)
	240,027	**447,932**
Included in above is receivables from exchange transactions		
Rental	289,144	233,684
Refuse	1,169,066	890,262
Sundry debtors	10,304	15,952
	1,468,514	**1,139,898**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	7,868,747	6,239,685
VAT	210,250	164,880
	8,078,997	**6,404,565**

Figures in Rand	2015	2014

4. Receivables from exchange and non-exchange transactions (continued)

Rates		
Current (0 -30 days)	(170,324)	621,257
31 - 60 days	11,708	728,587
61 - 90 days	-	550
91 - 120 days	-	467,503
> 121 days	7,806,715	4,421,787
	7,648,099	**6,239,684**
Refuse		
Current (0 -30 days)	57,084	161
31 - 60 days	49,424	48,902
61 - 90 days	47,859	45,534
91 - 120 days	47,037	37,427
> 121days	967,661	906,786
	1,169,065	**1,038,810**
Rental		
Current (0 -30 days)	11,467	2,387
31 - 60 days	13,795	15,654
61 - 90 days	9,662	15,654
91 - 120 days	9,662	15,272
> 121 days	244,557	200,842
	289,143	**249,809**
Vat		
> 121 days	210,250	164,880
Sundry Debtors		
> 365 days	10,304	16,158

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Receivables from exchange and non-exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	8,145	83,312
31 - 60 days	15,643	84,344
61 - 90 days	11,684	96,355
91 - 120 days	11,145	101,948
121 - 365 days	1,266,475	1,058,014
	1,313,092	**1,423,973**
Industrial/ commercial		
Current (0 -30 days)	(25,036)	15,434
31 - 60 days	2,972	35,455
61 - 90 days	2,544	176,535
91 - 120 days	2,543	201,847
> 121 days	937,232	1,913,827
	920,255	**2,343,098**
National and provincial government		
Current (0 -30 days)	29,912	31,535
31 - 60 days	46,092	43,554
61 - 90 days	42,192	54,553
91 - 120 days	41,911	65,455
>121 days	4,875,136	3,582,295
	5,035,243	**3,777,392**
Total		
Current (0 -30 days)	65,570	130,281
31 - 60 days	64,603	163,353
61 - 90 days	56,421	327,443
91 - 120 days	55,599	369,250
121 - 365 days	9,243,920	6,554,136
	9,486,113	7,544,463
Less: Allowance for impairment	(9,086,836)	(7,096,530)
	399,277	**447,932**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(7,096,530)	(5,737,745)
Bad debt written off	245,545	624,548
Debt impairment written off against allowance	(2,235,851)	(1,983,333)
	(9,086,836)	**(7,096,530)**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,238	113
Bank balances	3,001,725	652,440
Short-term deposits	53,960,720	49,861,182
Other cash and cash equivalents	36,526	36,526
	57,000,209	**50,550,261**
Cash and cash equivalents held by the entity that are available for use .	57,000,209	52,420,265

5. Cash and cash equivalents (continued)

For the purpose of Statement of financial position and the Cash flow statement , cash and cash equivalents includes cash -on hand , cash in banks and investments in money market instruments , net of outstanding overdraft.

The municipality does not have overdrawn current account facilities with its banker and therefore does not incur overdrawn current account . Interest is earned at different rates per annum on favourable balances..

The management of the municipality is of the opinion that the carrying value of the current investment deposits , bank balances and cash and cash equivalents recorded at amortised cost in the annual financial statement approximate their fair value.

The fair value of current investment deposits, bank balances and cash and cash equivalents was determined after considering the standard terms and conditions of agreement entered into between the municipality and the financial institutions.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FNB Cheque Account 5255 1036 969	2,745,455	2,383,297	517,783	2,762,152	2,383,297	517,783
FNB Public Sector Cheque Account 6224 5385 093	-	36,526	36,838	-	36,526	36,838
FNB Salaries Account 6205 1076 688	-	108,237	106,838	-	108,237	106,838
Stanlib Yield Fund 5511 30458	490,321	8,727,876	8,252,210	490,321	8,727,876	8,252,210
Investec Fixed Deposit 50003450424-1	-	-	53,968,997	-	-	53,968,997
FNB 32 Days Stimela 7416 5605 518	686,876	661,765	640,986	686,876	661,765	640,986
FNB Money Market 6200 845 2071	2,861,877	6,591,601	4,223,710	2,861,877	6,591,601	4,223,710
Investec Fixed Deposit 442026-452	-	8,182,634	-	-	8,182,634	-
Investec Fixed Deposit 442026-454	-	15,548,653	-	-	15,548,653	-
FNB Fixed Deposit 74460230002	10,000,000	10,148,651	-	10,000,000	10,148,651	-
Nedbank Call Deposit 7881098635/08	10,232,563	-	-	10,232,563	-	-
Nedbank Call Deposit 7881098635/09	10,117,421	-	-	10,117,421	-	-
Investec Bank 442026-454	16,365,314	-	-	16,365,314	-	-
FNB Fixed Deposit 62544294987	1,396,615	-	-	1,396,615	-	-
FNB Fixed Deposit 62544297436	1,809,734	-	-	1,809,734	-	-
Total	**56,706,176**	**52,389,240**	**67,747,362**	**56,722,873**	**52,389,240**	**67,747,362**

6. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,885,000	-	2,885,000	565,000	-	565,000

Figures in Rand	2015	2014

6. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Additions	Disposals	Total
Investment property	565,000	2,500,000	(180,000)	2,885,000

Reconciliation of investment property - 2014

	Opening balance	Transfers	Total
Investment property	731,000	(166,000)	565,000

Pledged as security

No investment property is pledged as security

Investment property consists of land held for an undeterminable future use.

Details of valuation

Investment property mainly land and vacant stands are stated at fair values , which have been determined based on valuations by an independent valuer , Mr Jaap Dutoit of North West Valuation Services as at 30 June 2015 an industry specialist in valuing these types of properties .Mr Jaap du Toit is the member of Institute of Valuers of South Africa and have appropriate qualifications and experience in the valuation of properties in the relevant location. The valuation which confirms to International Standards of Valuation was arrived at by reference to market evidence of transaction prices for similar properties.

7. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,630,000	-	1,630,000	1,630,000	-	1,630,000
Buildings	10,468,071	(4,962,532)	5,505,539	9,743,431	(4,542,591)	5,200,840
Plant and machinery	7,434,654	(1,015,919)	6,418,735	6,673,763	(622,340)	6,051,423
Furniture and fixtures	1,145,344	(932,601)	212,743	1,241,026	(919,628)	321,398
Motor vehicles	7,664,073	(3,844,014)	3,820,059	7,664,073	(2,818,892)	4,845,181
Office equipment	1,041,483	(459,923)	581,560	805,702	(349,521)	456,181
Computer equipment	1,570,323	(876,919)	693,404	1,467,184	(626,568)	840,616
Security measures	3,957,825	(836,543)	3,121,282	2,567,043	(580,539)	1,986,504
Leased Assets	547,902	(75,055)	472,847	359,000	(203,204)	155,796
Infrastructure	59,967,069	(14,443,907)	45,523,162	46,355,233	(7,352,480)	39,002,753
Community	110,652,039	(15,103,330)	95,548,709	98,356,298	(15,435,207)	82,921,091
Other property, plant and equipment	6,553,145	(1,726,599)	4,826,546	6,553,145	(1,227,308)	5,325,837
Total	**212,631,928**	**(44,277,342)**	**168,354,586**	**183,415,898**	**(34,678,278)**	**148,737,620**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Assets under construction	Disposals	Other changes, movements	Depreciation	Total
Land	1,630,000	-	-	-	-	-	1,630,000
Buildings	5,200,840	817,704	(93,064)	-	-	(419,941)	5,505,539
Plant and machinery	6,051,423	782,048	-	-	-	(414,327)	6,419,144
Furniture and fixtures	321,398	8,735	-	(18,134)	-	(98,862)	213,137
Motor vehicles	4,845,181	-	-	-	-	(1,025,122)	3,820,059
Office equipment	456,181	265,149	(1,228)	-	(379)	(138,162)	581,561
Computer equipment	840,616	140,759	-	(16,129)	(26,752)	(245,090)	693,404
Security measures	1,986,504	1,390,783	-	-	-	(256,004)	3,121,283
Leased Assets	155,796	547,902	(101,947)	-	-	(128,905)	472,846
Infrastructure	39,002,754	9,407,913	1,338,973	-	-	(4,226,495)	45,523,145
Community	82,917,906	13,918,150	1,539,160	-	-	(3,048,170)	95,327,046
Other property, plant and equipment	5,329,022	-	-	-	-	(281,599)	5,047,422
	148,737,621	**27,279,143**	**2,681,894**	**(34,263)**	**(27,131)**	**(10,282,677)**	**168,354,586**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Assets under construction	Disposals	Other changes, movements	Depreciation	Total
Land	1,630,000	-	-	-	-	-	1,630,000
Buildings	5,076,592	704,803	820,857	-	-	(1,401,412)	5,200,840
Plant and machinery	289,041	6,168,362	-	(43,161)	-	(362,818)	6,051,423
Furniture and fixtures	347,486	108,239	-	(1,918)	-	(132,409)	321,398
Motor vehicles	2,685,462	2,979,890	-	(8,768)	-	(811,403)	4,845,181
Office equipment	287,253	261,826	-	(18,013)	-	(74,885)	456,181
Computer equipment	676,441	412,052	-	(15,310)	-	(232,567)	840,616
Security measures	322,925	1,743,931	-	-	-	(160,828)	1,986,504
Leased Assets	227,367	-	-	-	-	(71,571)	155,796
Infrastructure	34,240,782	4,022,332	9,485,120	-	(6,172,912)	(2,572,568)	39,002,754
Community	63,861,281	9,997,382	11,900,106	(324,512)	(63,733)	(2,452,635)	82,917,906
Other property, plant and equipment	5,611,227	-	-	-	-	(282,205)	5,329,022
	115,255,857	**26,398,818**	**22,206,083**	**(411,682)**	**(6,236,645)**	**(8,555,301)**	**148,737,621**

Pledget as security

No property plant and equipment was placed as security for financial liabilities.

Included in other assets is the train and locomotives .

Figures in Rand	2015	2014

8. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	515,833	(429,621)	86,212	505,581	(326,801)	178,780

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	178,780	10,252	(53,492)	135,540

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software	257,978	(79,198)	178,780

Restricted title

All computer software are issued under licence and are restricted to the condition under which each licence are issued.

9. Finance lease obligation

Minimum lease payments due		
- within one year	595,920	414,207
- in second to fifth year inclusive	943,540	557,492
	1,539,460	971,699
less: future finance charges	(1,052,494)	(681,591)
Present value of minimum lease payments	**486,966**	**290,108**
Present value of minimum lease payments due		
- within one year	66,604	52,152
- in second to fifth year inclusive	420,362	237,956
	486,966	**290,108**
Non-current liabilities	434,814	237,957
Current liabilities	52,152	52,152
	486,966	**290,109**

The average lease term is 5 years. The capitalised liabilities are in respect of office equipment leased by the municipality. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate is 12%, which is subject to a 15% escalation per annum. The majority of these leases have fixed repayment terms. The agreements do not provide for contingent rental payments.

Figures in Rand	2015	2014

10. Payables from exchange transactions

Trade payables	5,294,829	4,795,764
Retention -Contracts	6,054,357	7,177,146
Staff leave accrual	2,578,683	1,786,186
Other payables	955,467	1,959,549
	14,883,336	**15,718,645**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Expanded public works programme(EPWP)	-	229,564

Movement during the year

Balance at the beginning of the year	229,564	4,852,448
Additions during the year	40,037,000	25,161,000
Income recognition during the year	(40,266,564)	(29,783,884)
	-	**229,564**

Previous year's balance of unspent grants have been reclassified to comply with the Directive issued by Department of Housing . The details of the reclassification on the note on " Comparative information.

See note on government grants and subsidies for reconciliation of grants from National/Provincial Government.

Figures in Rand	2015	2014

12. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Contribution to landfill site	Total
Environmental rehabilitation	384,867	199,633	584,500

Reconciliation of provisions - 2014

	Opening Balance	Contribution to landfill site	Total
Environmental rehabilitation	1,264,307	(879,440)	384,867

The provision for rehabilitation of refuse disposal sites relates to the legal obligation to rehabilitate the disposal sites. The municipality operates two refuse disposal sites. Both sites have been in operation for nearly ten years and assuming the current level of usage of these disposal sites is maintained, it is anticipated that they will reach full capacity after 2 financial years, wherein they will be permanently closed and thus rehabilitated. The provision amount disclosed represents the present value of future estimated rehabilitation costs (material and labour inclusive of professional environmental expertise). The discount rate used is 10% and 9.5 % and estimated airspace is 6 and 1 years for Bulwer and Creighton respectively .

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Long service awards benefits		
Balance at the beginning of the year	223,000	574,042
Current service cost	39,000	104,972
Interest cost	19,000	41,651
Benefits paid	(27,500)	(25,000)
Actuarial gains and losses	3,500	(472,665)
	257,000	**223,000**

The municipality offers certain employees leave awards that may be exchanged for cash on certain anniversaries of commencing service determined by the length of service

The most recent actuarial valuation of plan assets of long service awards and the present value of the defined benefit obligation were carried out at 30 June 2015 by ZAQ Finance , Fellow of the Actuarial Society of South Africa . The present value of the defined benefit obligation , and the related current service cost and past service cost, were measured using the Projected Credit Method .

The principal assumptions used for the purpose of actuarial valuations are as follows:		
Discount rate	8 %	7 %
CPI(Consumer Price Index)	6 %	6 %
Normal salary increase rate	7 %	7 %
Net effective discount rate	1 %	1 %
	-	**-**

The amount recognised in the Statement of Financial Position are as follows		
Present value of unfunded obligations	257,000	223,000

The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	39,000	104,972
Interest cost	19,000	41,651
Actuarial gains /(Losses)	3,500	(472,665)
	61,500	**(326,042)**

Figures in Rand	2015	2014
12. Provisions (continued)		
Movements in the present value of the defined benefit obligation were as follows:		
Balance at the beginning of the year	223,000	574,042
Current service cost	39,000	104,972
Interest cost	19,000	41,651
Benefits paid	(27,500)	(25,000)
Actuarial gains/(Losses)	3,500	(472,665)
	257,000	**223,000**
Movements in the present value of plan assets were as follows:		
Contributions from employer	27,500	25,000
Benefits paid	(27,500)	(25,000)
	-	**-**
The history of experienced adjustments is as follows:		
Present value of obligation	257,000	223,000
Post retirement health care benefits obligations		
Balance at the beginning of the year	1,804,155	1,397,624
Current service cost	221,479	160,728
Interest cost	171,575	124,659
Actuarial gains/(Losses)	117,791	121,144
	2,315,000	**1,804,155**

The municipality provide certain post -retirement health care benefits liability by funding the medical aid contribution of qualifying retired members of the municipality . According to the rules of the Medical Aid Funds , with which the municipality is associated , a member (Who is on the current Conditions of service) is entitled to remain a continued member of such medical aid fund on retirement , in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operate an unfunded defined benefit plan for these qualifying employees.

The most recent Actuarial valuations of plan assets and present value of the unfunded defined benefit obligation were carried out at 30 June 2015 by ZAQ Consultants and Actuaries , a fellow of the Faculty of Actuaries and Fellow of Actuarial Society of South Africa. The present value of the defined benefit obligation , and the related current service costs and past service costs were measured using the Projected Unit Credit Method.

The members of the post -employment benefit plan are made up as follows:		
In-service members(Members)	55	44
In-service members(Non-members)	-	66
	55	**110**
The liability in respect of past service has been estimated as follows:		
In-service members(Members)	2,315,000	1,274,137
In-service members(Non-members)	-	530,018
	2,315,000	**1,804,155**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes.

- Key Health , Samwumed and LA Health.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Assumptions used at the reporting date (%)		
Health care cost inflation	9	9
Expected inflation	7	7

Figures in Rand	2015	2014
12. Provisions (continued)		
Discount rate	9	10
Salary inflation	1	1
	-	-
The amount recognised in the statement of financial position is as follows:		
Carrying amount		
Present value of unfunded obligations	2,315,000	1,804,155
The amount recognised in the statement of financial performance		
Current service cost	221,479	160,728
Interest cost	171,575	124,659
Actuarial gains/(Losses)	117,791	121,144
Total included in employee related costs	**510,845**	**406,531**
Movement in the present value of the defined benefit obligation were as follows:		
Balance at the beginning of the year	1,804,155	1,397,624
Current service cost	221,479	160,728
Interest cost	171,575	124,659
Actuarial gains/(Losses)	117,791	121,144
	2,315,000	**1,804,155**
13. Service charges		
Refuse removal	473,273	524,198

Figures in Rand	2015	2014

14. Property rates

Rates received

Residential	673,401	661,816
Commercial	969,749	1,353,858
State	1,013,955	887,590
Small holdings and farms	45,590	43,172
PSI	19,615	15,750
Farms	2,214,443	2,231,389
	4,936,753	5,193,575
Property rates - penalties imposed	164,630	253,195
	5,101,383	**5,446,770**

Valuations

Business and Commercial	71,279,000	68,033,000
Industrial	2,130,000	2,130,000
Residential	58,536,000	86,227,000
State owned	23,670,000	244,042,000
State trust land	208,306,000	207,396,000
Educational	230,887,000	1,350,000
Farm (Agricultural)	797,856,299	780,294,799
Small holdings agricultural	170,000	28,941,500
PSI	4,558,000	4,558,000
Municipal	33,617,000	26,648,000
Places of Worship	27,658,000	39,517,000
Public Benefit Organisations	21,181,000	4,515,000
MUL- Mulitple Use	2,100,000	2,484,000
Residential (Lower Use)	27,534,000	11,864,000
	1,509,482,299	**1,508,000,299**

Valuation of properties within the boundaries of the Municipal area are performed five years. The current valuation in use came into effect on 1 July 2013 Interim valuations are carried out to take account of changes in individual property values due to subdivisions, property improvements etc.

Figures in Rand	2015	2014

15. Government grants and subsidies

Operating grants		
Equitable share	66,024,814	56,996,141
National Dept of Treasury (Municipal Systems Improvement Grant)	934,001	890,001
National Dept of Treasury (Financial Management Grant)	1,800,001	1,650,000
KZN Dept of Sports and Recreation	824,998	1,050,000
National Dept of Treasury (Expanded Public Works Programme)	1,229,565	770,436
KZN Dept of Co-Operative Governnance (Property Rates)	-	29,988
KZN Dept of Arts and Culture (Libraries)	981,000	939,000
National Dept of Energy (Mahwaqa and Tars valley)	4,999,999	-
National Dept of Energy (Donnybrooke & Xosheyakhe)	5,000,000	196,599
Dept of Arts and Culture (Bhengu Art Gallery)	1,000,000	-
	82,794,378	62,522,165
Capital grants		
National Dept of Treasury (Municipal Infrastructure Grant)	23,497,000	26,276,849
	23,497,000	26,276,849
	106,291,378	**88,799,014**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

KZN Dept of Sports (Kilmon and Nkwezela)

Current-year receipts	675,000	1,050,000
Conditions met - transferred to revenue	(66,896)	(1,050,000)
	608,104	**-**

Figures in Rand	2015	2014

15. Government grants and subsidies (continued)

National Dept of Treasury(Municipal Systems Improvement Grant)

Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(802,601)	(890,000)
	131,399	**-**

KZN Dept of Arts and Culture (Librarian Subsidy)

Current-year receipts	981,000	939,000
Conditions met - transferred to revenue	(906,795)	(939,000)
	74,206	**-**

National Dept of Treasury(Finance Management Grant)

Current-year receipts	1,800,000	1,650,000
Conditions met - transferred to revenue	(1,508,305)	(1,650,000)
	291,695	**-**

National Dept of Treasury(Municipal Infrastructure Grant)

Balance unspent at beginning of year	-	4,655,849
Current-year receipts	23,497,000	21,621,000
Conditions met - transferred to revenue	(11,512,041)	(26,276,847)
	11,984,958	**-**

KZN Dept of Sports and Recreation (Nkwezela sports stadium)

Current-year receipts	150,000	-
Conditions met - transferred to revenue	(66,896)	-
	83,104	**-**

Expanded Public Works Programme(EPWP)

Balance unspent at beginning of year	229,565	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,106,923)	(770,435)
Condition to be met (Transfer to creditors see note 11)	**122,642**	**229,565**

National Dept of Energy (Electrification - Donnybrooke and Xosheyakhe)

Balance unspent at beginning of year	-	196,599
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(5,000,000)	(196,599)
	-	**-**

KZN Dept of Co-operative Governance andTraditional Affairs (Corridor development)

Current-year receipts	-	30,000
Conditions met - transferred to revenue	-	(30,000)
	-	**-**

Figures in Rand	2015	2014

16. Other revenue

Other revenue	3,055,120	367,315
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Printing income	6,974	3,729
Rates clearance certificate	1,802	7,843
Commission received	4,001	1,120
Tender documents	240,382	274,217
Sundry income	46,246	60,828
Pound income	2,883	19,482
Sale of Hay	-	96
Other income	2,752,832	-
	3,055,120	**367,317**

17. Investment revenue

Interest revenue		
Investment Revenue	3,921,756	3,936,313
Interest charged on trade and other receivables	15,755	6,065
	3,937,511	**3,942,377**

Figures in Rand	2015	2014

18. Employee related costs

Salaries and Wages	20,435,757	17,963,479
Bonus	1,249,697	1,532,269
Contributions for Medical Aid,Pension and UIF	3,640,729	3,074,039
Leave pay provision charge	1,060,305	1,364,097
Travel and Standby Allowances	852,717	836,105
Overtime payments	153,783	179,194
Provision for long service awards	544,845	55,489
Housing benefits and other employee related costs	736,973	78,478
	28,674,806	**25,083,151**

Remuneration of Municipal Manager

Annual Remuneration	650,483	592,936
Car, Housing and Other Allowances	240,000	240,000
Contributions to UIF, Medical and Pension Funds	161,968	152,517
	1,052,451	**985,453**

Remuneration of Chief Finance Officer

Annual Remuneration	527,048	320,120
Car , Housing and Other Allowances	297,460	185,912
Contributions to UIF, Medical and Pension Funds	27,370	13,431
	851,878	**519,463**

Remuneration of IPD Manager

Annual Remuneration	658,314	720,060
Car ,Housing and Other Allowances	157,343	44,056
Contributions to UIF, Medical and Pension Funds	36,924	34,406
	852,581	**798,522**

Remuneration of Corporate Services Manager

Annual Remuneration	721,792	720,060
Car, Housing and Other Allowances	120,000	44,056
Contributions to UIF, Medical and Pension Funds	10,641	34,406
	852,433	**798,522**

Remuneration of Community Manager

Annual Remuneration	110,299	608,269
Car Allowance	30,000	180,000
Contributions to UIF, Medical and Pension Funds	1,603	9,824
	141,902	**798,093**

Figures in Rand	2015	2014

19. Remuneration of Councillors

Mayor	672,763	658,394
Deputy Mayor	538,210	531,457
Speaker	538,210	531,457
Executive Committee Members	925,049	999,446
Councillors	3,947,533	3,668,028
	6,621,765	**6,388,782**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and two Exco member are full-time. Each of them are provided with an office and secretarial support at the cost of the municipality. Councillors were paid within the Upper Limits evisaged in section 219 of the constitution. The Mayor , Deputy Mayor and Speaker are provided with municipal vehicles at the cost to the council.

20. Depreciation and amortisation

Property, plant and equipment	10,282,747	8,555,301
Intangible assets	71,619	79,467
	10,354,366	**8,634,768**

21. Finance Costs

Interest paid to creditors	-	63,028
Interest paid on finance leases	465,538	339,652
	465,538	**402,680**

22. Contracted services

Security Services	1,233,497	1,312,827

Figures in Rand	2015	2014

23. General expenses

Accounting fees	841,098	351,475
Advertising	570,008	466,425
Auditor fees External	1,105,306	980,052
Cleaning	330,912	314,287
Ward Commitee Expense	887,504	689,140
Catering	207,347	212,596
Consultants fees	1,092,624	1,809,154
Ward commiteee capacitating training	-	745,156
Catering	310,518	385,984
Staff bursaries	293,729	-
Electrification Junction,Sokhela	290,407	256,902
Insurance	689,350	571,067
Community functions	770,860	835,476
Arts and Culture	785,266	276,434
Poverty Alleviation	197,236	245,884
Public Participation	414,998	747,943
Electricit: Mahwaqa, Tarrs and Qulashe	188,134	821,894
Municipal Relief Fund	96,100	122,499
Electrification Phase 2	-	305
IDP review	-	1,111,665
Curator Housing Centocow gallery	-	208,822
Internal audit	726,460	1,211,656
Youth Development	305,834	457,606
Fuel and oil	1,263,962	1,175,990
HIV/AIDS expenses	109,567	53,200
Printing and stationery	876,219	665,100
Protective clothing	91,594	203,892
LED Strategy	404,046	245,928
Special Programs	473,685	788,843
Bhengu Art Gallery & Museum	-	1,079,914
Anti- Corruption Measures	168,250	126,635
Newspapers	37,723	607,071
Telephone	1,120,857	1,222,490
Organisational Structure	-	138,224
Other Expenses	551,358	108,407
Electricity	734,655	648,921
Legal Expenses	65,826	136,076
Electrification - Solo, Magwab	8,095,536	8,886,718
Educational support	682,435	689,345
Tolls and Parking	-	150,000
Emasameni electrification Project	-	163,265
Free Basic Electricty	1,187,339	560,285
Staff travelling, accomodation & travelling	4,100,129	3,267,749
Cont. disaster recovery	306,293	142,502
Other Expenses	1,254,186	771,649
Mayoral Cup	503,543	204,900
Sundry Expenses	2,050,892	871,226
Sports Development	453,705	274,066
	34,635,491	**36,004,818**

24. Auditors' remuneration

Fees	1,105,306	980,052

Figures in Rand	2015	2014

25. Cash generated from operations

Surplus	30,576,019	15,472,633
Adjustments for:		
Depreciation and amortisation	10,354,366	8,634,768
Loss on sale of assets	262,733	199,255
Impairment loss traffic fines	360,470	425,754
Movements in provisions	34,000	-
Bad debts provision	199,633	(879,439)
Changes in working capital:		
Trade and Other Receivables from exchange transactions	207,906	957,874
Other receivables from non-exchange transactions	(755,211)	(15,126)
Payables from exchange transactions	(835,311)	6,674,895
VAT	(1,103,692)	190,018
Unspent conditional grants and receipts	(229,564)	(4,622,875)
	39,071,349	**27,037,757**

26. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure assets	2,427,981	4,903,361
• Community assets	7,749,508	8,092,042
• Other assets	3,688,769	3,007,702
	13,866,258	**16,003,105**
Not yet contracted for and authorised by accounting officer		
• Infrastructure assets	15,941,712	7,237,784
• Community assets	61,987,057	38,084,000
• Other assets	5,967,692	3,370,000
	83,896,461	**48,691,784**
Total capital commitments		
Already contracted for but not provided for	13,866,258	16,003,105
Not yet contracted for and authorised by accounting officer	83,896,461	48,691,784
	97,762,719	**64,694,889**

This committed expenditure relates to plant and equipment and will be financed by internally generated funds and government grants

This expenditure will be financed from:

Government grants and subsidies	88,106,258	31,403,516
Internally generated funds	9,656,461	33,291,373
	97,762,719	**64,694,889**

27. Unauthorised expenditure

Opening balance	5,632,898	4,100,009
Unauthorised expenditure - Current year	-	5,632,898
Unauthorised expenditure condoned	(5,632,898)	(4,100,009)
	-	**5,632,898**

Figures in Rand	2015	2014

28. Fruitless and wasteful expenditure

Opening balance	63,572	63,572
Fruitless and Wasteful expenditure - Current year	59,418	-
Condoned by Council	(63,572)	-
	59,418	**63,572**

The fruitless and wasteful expenditure relates to overpayment of bonus and leave payment amounting to R44 525 and R14 893 respectively . All the necessary MFMA processes regarding the fruitless and wasteful expenditure will be followed.

29. Irregular expenditure

Opening balance	156,525	713,963
Irregular expenditure - Current year	1,473,826	156,525
Condoned by Council	(156,525)	(713,963)
	1,473,826	**156,525**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Various awards amounting to R102 580 were made to persons in service of the state . This resulted in irregular expenditure .	A detailed report will be forwarded to Council for condonement	102,580
Two awards amounting to R16 100 and R15 254 were made to suppliers who did not have original tax clearance certificates. This resulted in contravention of the Supply Chain Management (SCM) Policy.	A detailed report will be forwarded to Council for condonement	31,354
There was an extention of the scope of work for the electrical services amounting to R949 625 . This resulted in contravention of the SCM Policy.	A detailed report will be forwarded to council for condonement	949,625
There was an extention of scope regarding the printing of the annual report and internal audit services for R50 044 and R184 233 respectively and this resulted in contravention of the SCM Policy.	A detailed report will be tabled to council for condonement	234,277
Mini-tenders amounting to R117 171 were not advertised for 14 days as required by the SCM Policy and this resulted in contravention of the SCM Policy.	A detailed report will be tabled to council for condonement	117,171
SCM regulations and Policy was not followed for the appointment of the Municipal Managers bodygurads at R28 894 which resulted in contravention of SCM Policy .	A detailed report will be tabled to council for condonement	28,894
Only one quotation were received for the tent hire and chairs for Nkwezela Funeral . The amount paid was R9 925 . This resulted in contravention of SCM Policy and Regulations.	A detailed report will be tabled to council for condonement	9,925
		1,473,826

Figures in Rand	2015	2014

30. Employee benefit obligations

Defined contribution plan

Ingwe Municipality provides retirement benefits to all its employees and councillors ,who belong to different pension schemes .Councillors have the option to belong to the Pension Fund for Municipal Councillors.

The municipality is under no obligation to cover any unfunded benefits.

Joint pension fund

All full time employees belong to the KwaZulu Natal Joint Municipal Pension Fund , which are made up by the Super Annuation and Provident Funds. These funds are governed by Pension Fund Act and include both defined benefit and defined contribution schemes.

Super annuation Fund is a multi-employer plans and is subject to either a tri -annual , bi-annual or annual actuarial valuation , the details of which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension funds , due due to the following reasons:

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating municipality.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating municipality.

(iii) The same rate of contribution applies to all participating municipalities and no regard is paid to difference in the membership distribution of the participating municipalities.

It is therefore seen that each fund operates as a single entity and is not divided into sub -funds for each participating municipality.

The only obligation of the municipality with respect to the retirement benefits plans is to make the specified contributions. Where Councillors /Employees leave the plans prior to full vesting of the contributions , the contributions payable by the municipality are reduced by the amount of forfeited contributions.

31. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription	500,000	450,000

Audit fees

Current year	1,105,306	980,052
Amount paid - current year	(1,105,306)	(980,052)
	-	**-**

PAYE and UIF

Opening balance	338,391	-
Current year subscription / fee	4,875,261	4,432,348
Amount paid - current year	(5,379,411)	(4,093,957)
Balance unpaid (Included in creditors)	**(165,759)**	**338,391**

Figures in Rand	2015	2014

31. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	504,400	22,789
Payroll deductions	6,500,533	5,396,137
Amount paid - current year	(6,837,585)	(4,914,526)
Balance unpaid (Included in creditors)	**167,348**	**504,400**

VAT

VAT receivable	2,858,799	1,755,107

The net of VAT input payables and VAT output receivables are shown in note 3 .All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding as at 30 June 2015

32. SCM Deviations

1. Payments amounting to R5 000 for transporting children who were invloved in a car accident . The SCM processes were not followed as ths was an emergency . A detailed report was submitted to the council to condone the SCM deviations with adequate reasons for deviations.

2. The SCM processes for two payments to amounting to R16 781 and 26 220.50 to Honey Sucker to drain septink tank for Ingwe . The service provider is the only one in the area . The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

3. An amount of R10 000 was paid to Acturial Consultants to prepare the report for Long -service awards benefits during the preparation if the financial statements in 2014. The SCM process was not followed .The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

4. Payments amounting to Yes Media for R25 650 which is the only company that publish the Government Handbook . The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

5 It was impractical to follow SCM processes for payments amounting to R13 700 for the repairs of two laptops as this was an emergency .The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

6. The SCM processes was not followed for payments of R28 500 to Wits University regarding the Certificate Porgramme in Housing Policy being attended by one of the employee . it was impractical to follow normal SCM processes as Wits University is the only institution that offers this course. The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

7. Payments amounting to R25 000 for 300 people and 3 tents hire . The reason for the deviation is that the event took place during the festival holiday .The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

8. The SCM processes was not followed for payments of R4 508.92 for shoes for traffic officers . It was impractical to follow normal SCM processes as the supplier is the only one supplying these shoes .The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

9. Payments amounting to R3 078.00 for advance driving course. The SCM processes was not followed as there is single supplier in the KZN area.The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

10. Payments to Witness newspaper R6 676 for annual subscription.The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

Figures in Rand	2015	2014

32. SCM Deviations (continued)

11. The SCM processes was not followed for installation of the stand shell for crafters to display their product amounting to R24 031 because it is is sole supplier around Eastern Cape.The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

10. The SCM processes was not followed for various payments to suppliers amounting to R 81 787.00 as it was impractical to follow normal SCM processes .The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

11. Payments to UKhozi FM amounting to R235 649 regarding the Mayoral interview for the period of three months . Ukhozi is the main radio that is accessible in the area.The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

12. Only two quotations were received for the supply of electricity at Keaver Mission for the payment amounting to R 127 368.00 .The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

13.There was an extention on the scope of work on Councillors training amounting to R8 949 .The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

14. There is only one supplier for the calibration of Prolaser Machine. The SCM processes was not followed for this purpose. The amount paid to the supplie is R6 906 . The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

15. There was an emergency for removal of the antivirus and to unblock toilets amounting to R29 576 and R18 388 respectively .The SCM processes was not followed for this purpose. The Accounting Officer will prepare and submit a detailed report to Council for condonment with adequate details.

Figures in Rand	2015	2014

33. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

The Directorate : Budget and Treasury Office monitors and manages the financial riks related to operations through internal policies and procedures . These risks include interest rate risks , credit risks and liquidty. Compliance with policies and procedures is reviewed continuously by the internal auditors and annual by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal auditors responsible for initiating a control framework and monitoring and responding to potential risks , reports to the municipality's audit committee , an independent body that monitors the effectiveness of the internal audit.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 June 2015, Maturity profile	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	52,134	203,174	-	255,308
Trade payables	9,973,770	-	-	9,973,770
Subtotal	10,025,904	203,174	-	10,229,078
	10,025,904	**203,174**	**-**	**10,229,078**

30 June 2014, Maturity profile	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	52,134	237,956	-	290,090
Trade payables	15,718,645	-	-	15,718,645
Subtotal	15,770,779	237,956	-	16,008,735
	15,770,779	**237,956**	**-**	**16,008,735**

34. Prior period errors

During the year it was discovered that Dept of Housing grants were incorrectly accounted for under unspent conditional grants . After engagement with the Department of KZN Department of Housing a Directive was issued , which required that these grants be transferred to the Housing Development Fund and separate account be opened for these grants.

The results of the restatement resulted in unspent conditional grants and Housing Development Fund being affected and the details of the restatement is as follows .

Figures in Rand	2015	2014

34. Prior period errors (continued)

During the year the municipality discovered that it did not implement GRAP 23 Revenue from non-exchange transactions regarding the accounting of governmnet grants. The Standard was applicable for the reporting periods on or after 30 April 2012 ie GRAP 23 was applicable for the reporting period 30 June 2013.

The accumulated surplus and unspent conditional grants of prior periods were affected by the implementation of GRAP 23 and the details as per above:

35. Revenue

Service charges	473,273	524,198
Rental of facilities and equipment	280,203	295,553
Other income - (rollup)	3,055,120	367,315
Interest received	3,937,511	3,942,378
Property rates	4,936,754	5,193,574
Property rates - penalties imposed	164,630	253,195
Government grants & subsidies	106,291,377	88,799,015
Fines, Penalties and Forfeits	611,000	708,878
	119,749,868	**100,084,105**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	473,273	524,198
Rental of facilities and equipment	280,203	295,553
Other income - (rollup)	3,055,120	367,315
Interest received	3,937,511	3,942,378
	7,746,107	**5,129,444**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	4,936,754	5,193,574
Property rates - penalties imposed	164,630	253,195
Transfer revenue		
Government Grants and Subsidies	106,291,377	88,799,015
Fines, Penalties and Forfeits	611,000	708,878
	112,003,761	**94,954,662**

36. Related parties

Relationships

Compensation to accounting officer and other key management		
Accounting Officer and Other Key Management	3,751,245	3,946,672
Councillors	6,621,765	6,388,782
	10,373,010	**10,335,454**

Notes to the Annual Financial Statements

37. New standards and interpretations

37.1 Standards and interpretations not yet effective

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 30 June 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the annual financial statements.

Notes to the Annual Financial Statements

37. New standards and interpretations (continued)

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality is unable to reliably estimate the impact of the amendment on the annual financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 30 June 2016.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality is unable to reliably estimate the impact of the amendment on the annual financial statements.

Figures in Rand	2015	2014

38. Other financial liabilities

At amortised cost		
Trade and Other Payables from Exchange Transactions	4,276,418	3,784,698
Finance Lease Liability	314,639	328,435
	4,591,057	**4,113,133**
Total other financial liabilities	**4,591,057**	**4,113,133**

39. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	1,316,675	1,316,675
Receivables from exchange transactions	2,414,819	2,414,819
Cash and cash equivalents	91,439,117	91,439,117
	95,170,611	**95,170,611**

Financial liabilities

	At amortised cost	Total
Finance lease obligation - Current	52,152	52,152
Trade payables	9,973,770	9,973,770
Finance lease obligation - Long-term	203,174	203,174
	10,229,096	**10,229,096**

2014

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	780,499	780,499
Receivables from exchange transactions	447,933	447,933
Cash and cash equivalents	52,420,577	52,420,577
	53,649,009	**53,649,009**

Financial liabilities

	At amortised cost	Total
Finance lease obligation - Current	52,152	52,152
Trade payables	15,025,078	15,025,078
Finance lease obligation - Long-term	237,956	237,956
	15,315,186	**15,315,186**

Figures in Rand	2015	2014

40. Impairment of assets

Impairments		
Other financial assets	360,470	425,754
The impairment losses for traffic fine has been estimated based 75% traffic fines outstanding at year end . The assumptions is based on the colelction rate , Histrory and general economic conditions.		

41. Comparative figures

During the year the Department of Housing issued a Directive to the municipality that all the Housing grants under unspent conditional grants be transferred to Housing Development Fund and a separate Housing Operation Account be opened for these grants.

The results of the reclassification resulted in unspent conditional grants and Housing Development Fund being affected and the details of the reclassification is as follows. No effect on the accumulated surplus ,

	Audited 30 June 2014	**Reclassification**	**Restated 30 June 2014**
Unspent conditional grants	**2,506,887**	(2,277,324)	229,563
Housing development fund	-	2,277,324	2,277,324
	-	**-**	**-**

42. Going concern

The interim financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

43. In-kind donations and assistance

No in -kind donations and assistance was received during the year under review.

44. Events after the reporting date

No material fact or circumstance has occurred between the accounting date and the date of this report.